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1. In March 1951 the Planning Section of the Democratic Republic of Vietnam (DRV) National Financial Conference held a conference which was attended by DRV national government leaders and representatives of the Administrative and Resistance Committees of Central and South Vietnam. At this meeting it was revealed that the main reason for inflation in the DRV was that DRV Government expenditures were much greater than government revenues.
2. One financial difficulty confronting the DRV Government is that only *some* indirect taxes, including taxes on salt, tobacco and commercial licenses, are paid in currency. A large part of the government revenue in 1950 was obtained in paddy. Agricultural taxes, which were instituted in May 1950, are always paid in paddy. The value of the paddy plus monetary receipts amounted to 500 million DRV piasters. This constituted the entire DRV revenue for 1950. Government expenditures for 1950 totalled 1,009 million DRV piasters, exclusive of military spending, the total amount of which was kept secret but is estimated to be almost three times as great as non-military expenditures. The DRV Government made up this deficit by issuing more DRV piasters. From 1948 to 1951 the amount of money issued increased in proportion to government spending.
3. Being short of funds, some of the regional Administrative and Resistance Committees stopped remitting to the National Treasury, money which they obtained from tax collections and began retaining it for their own needs. At times, when the Treasury was unable to provide funds needed by the DRV Army, the Army itself would issue the money. This was the case in Interzones III and IV and in Central and South Vietnam. The hoarding of currency by individuals and by various village, district and provincial committees further limited the amount of money in circulation.

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4. Whenever the Government needed gold or rice and the Treasury lacked sufficient funds, additional currency was printed with which the gold and rice was purchased at set prices.
5. There was not an equitable distribution of funds from the National Treasury to the various regions. Some received more than they needed while others did not receive enough.
6. Official DRV reports show that the amount of currency in circulation in 1950 was ten times that of 1949. In 1951 the amount in circulation was approximately five times as great as in 1950. Actually, it was virtually impossible for the DRV Government to determine accurately:
 - a. The total amount of currency in circulation in the DRV zone.
 - b. The total amount of national expenditures because there are many regional expenditures which are not recorded or reported to the National Treasury.
 - c. The exact amount of taxes collected. There are cases of local tax collections by pressure and forced contributions which are never officially recorded by the tax collectors.
7. After two weeks of discussion in March 1951, the Chinese Communist advisers to the DRV Planning Section of the National Finance Conference made the following recommendations to improve the serious financial problems of the DRV regime:
 - a. That taxes be limited to two kinds: commercial (sic) and agricultural; and that only two organizations be authorized to collect these taxes:
 1. The Bureau of Taxes to collect income, customs and other taxes paid in currency.
 2. The Bureau of Agricultural Taxes, established in 1951, to collect taxes in paddy and other agricultural products.
 - b. That national revenues be increased and expenditures be decreased by collecting taxes still unpaid since 1950 and by implementing economy measures reducing the number of government administrative personnel.
 - c. That monetary control be exercised by:
 1. Establishing a national bank charged with both the receipt of taxes and the supervision of the national budget.
 2. Strictly forbidding regional administrative organizations from retaining taxes collected by them. Local tax revenues and expenditures will be controlled by the National Bank and no advance in funds will be authorized.
 3. Ensuring that funds collected by the various official and semi-official organizations and groups, including National Welfare Associations, village-provincial Teachers Associations, Aid to the War Wounded, will be deposited in the National Bank and not retained locally.
 4. Urging private individuals, mainly merchants, to deposit their funds in the National Bank.

These measures were designed to concentrate the bulk of the issued currency in the National Bank which could then better control the financial situation of the country and thereby decrease inflation and strengthen the confidence of the people in the DRV piaster and thus stabilize its value. The National Bank would make loans to the people to expand production. The Chinese Communist advisers believed that the DRV piaster did not need to be backed by gold or silver if it were firmly backed by an increasing rate of national production, chiefly

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agricultural production. During the 1951-1952 fiscal year, 300 million piasters have been lent by the National Bank for the expansion of agricultural production.

8. Although the majority of the recommendations made by the Chinese Communist advisers have been carried out, the financial situation of the DRV regime has not been satisfactorily improved because:

- a. People have not been very cooperative about depositing their money in the National Bank.
- b. The National Government has not allowed the regional committees sufficient funds thereby causing these committees to continue collecting money and imposing clandestine taxes on the population in order to meet local financial needs.
- c. The Army is increasing in size and therefore needs more rice and money. Consequently more money has to be issued by the National Government despite its desire to limit the amount of currency in circulation.
- d. There is a serious shortage of farm labor because of increasing military man-power requirements. As a result of this labor shortage, agricultural production has been greatly hampered in spite of loans made by the National Bank for agricultural expansion. In 1948 there were 15 farmers working for the support of one DRV soldier; in 1951 this ratio decreased to five to one.

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Comment. The DRV financial plan has failed completely. Inflation has become more and more serious since 1951. People who have money are more interested in smuggling than continuing in honest business. The DRV Government currency is continuously decreasing in value. In some areas the rate of exchange is 800 DRV piasters to one Bank of Indochina piaster.

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